

**ZAMIL INDUSTRIAL INVESTMENT COMPANY (ZAMIL INDUSTRIAL)
AND ITS SUBSIDIARIES (A Listed Saudi Joint Stock Company)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE MONTH PERIOD ENDED 31 MARCH 2023 AND INDEPENDENT
AUDITORS' REVIEW REPORT**

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REVIEW REPORT

For the three-month period ended 31 March 2023

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**INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of Zamil Industrial Investment Company, A Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 31 March 2023, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and material accounting policy information and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review:

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Marwan S. AlAfaliq
Certified Public Accountant
License No. 422



Al Khobar: 2 Duh Al-Qi'dah 1444H
22 May 2023

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

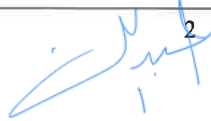
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

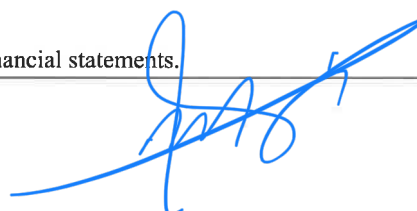
For the three-month period ended 31 March 2023

	Notes	For the three-month period ended 31 March	
		2023	2022
		SR'000 (Unaudited)	SR'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUES			
Revenue from contracts with customers	3	1,036,383	893,716
Finance lease income		2,815	3,080
		1,039,198	896,796
DIRECT COSTS			
Cost of sales		(695,141)	(664,796)
Contracts cost		(197,281)	(134,797)
		(892,422)	(799,593)
GROSS PROFIT		146,776	97,203
EXPENSES			
Selling and distribution		(38,637)	(41,276)
General and administration		(83,635)	(83,380)
OPERATING PROFIT/(LOSS) FROM CONTINUING OPERATIONS		24,504	(27,453)
Share in results of associates and a joint venture		1,964	(1,043)
Impairment loss on non-current assets		(8,252)	-
Other income, net		790	3,719
Finance costs		(42,069)	(15,021)
LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		(23,063)	(39,798)
Zakat and income tax	4	(9,297)	(9,136)
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(32,360)	(48,934)
DISCONTINUED OPERATIONS			
Profit/(loss) after zakat and income tax for the period from discontinued operations	5	21,863	(1,491)
NET LOSS FOR THE PERIOD		(10,497)	(50,425)
ATTRIBUTABLE TO:			
Shareholders of the parent company		(13,812)	(51,921)
Non-controlling interests		3,315	1,496
		(10,497)	(50,425)
EARNINGS PER SHARE:			
Basic and diluted earnings per share attributable to the shareholders of the parent company		(0.23)	(0.87)
EARNINGS PER SHARE FOR CONTINUING OPERATIONS:			
Basic and diluted earnings per share attributable to the shareholders of the parent company		(0.59)	(0.84)

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.







Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three-month period ended 31 March 2023

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET LOSS FOR THE PERIOD	(10,497)	(50,425)
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(8,342)	(8,852)
Net other comprehensive loss may be reclassified to profit or loss in subsequent periods	(8,342)	(8,852)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(18,839)	(59,277)
ATTRIBUTABLE TO:		
Shareholders of the parent company	(22,154)	(60,773)
Non-controlling interests	3,315	1,496
	(18,839)	(59,277)

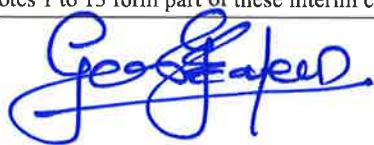
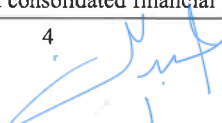
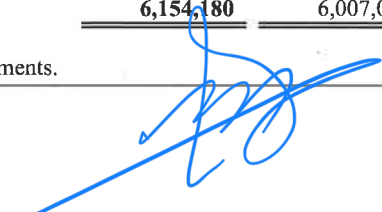
Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

		31 March 2023 SR'000 (Unaudited)	31 December 2022 SR'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	718,545	738,547
Right-of-use assets		57,929	57,987
Investments in associates and a joint venture		65,276	63,312
Equity instrument at fair value through other comprehensive income	11	59,121	59,121
Net investments in finance lease		230,393	240,073
Deferred tax assets, net		6,896	7,395
TOTAL NON-CURRENT ASSETS		1,138,160	1,166,435
CURRENT ASSETS			
Inventories		1,569,304	1,696,360
Accounts receivable		2,011,615	1,770,372
Contract assets		799,465	712,301
Advances, other receivables and prepayments		279,805	312,295
Current portion of net investment in finance lease		27,057	26,772
Cash and cash equivalents		288,281	304,055
		4,975,527	4,822,155
Asset held for sale	5	40,493	18,437
TOTAL CURRENT ASSETS		5,016,020	4,840,592
TOTAL ASSETS		6,154,180	6,007,027
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	600,000	600,000
Statutory reserve		180,000	180,000
Retained earnings		14,841	28,653
Foreign currency translation reserve		(69,049)	(60,707)
Fair value of equity instrument at FVOCI		22,937	22,937
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		748,729	770,883
NON-CONTROLLING INTERESTS		180,290	176,975
TOTAL EQUITY		929,019	947,858
NON-CURRENT LIABILITIES			
Term loans		11,223	13,862
Employees' defined benefit liabilities		229,881	224,856
Lease liabilities		46,676	44,934
Deferred tax liabilities, net		6,593	6,593
TOTAL NON-CURRENT LIABILITIES		294,373	290,245
CURRENT LIABILITIES			
Accounts payable		403,930	438,644
Accruals and provisions		618,224	602,018
Short term loans		2,733,525	2,826,598
Current portion of term loans		14,179	14,145
Current portion of lease liabilities		9,058	7,974
Contract liabilities		1,087,658	821,636
Zakat and income tax provision	4	64,214	57,909
TOTAL CURRENT LIABILITIES		4,930,788	4,768,924
TOTAL LIABILITIES		5,225,161	5,059,169
TOTAL EQUITY AND LIABILITIES		6,154,180	6,007,027

The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2023

	<i>Attributed to shareholders of the parent company</i>							<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Fair value of equity instrument at FVOCI</i>	<i>Total</i>			
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>		
Balance at 1 January 2023 (Audited)	600,000	180,000	28,653	(60,707)	22,937	770,883	176,975	947,858	
Net (loss)/profit for the period	-	-	(13,812)	-	-	(13,812)	3,315	(10,497)	
Other comprehensive loss	-	-	-	(8,342)	-	(8,342)	-	(8,342)	
Total comprehensive (loss)/income for the period	-	-	(13,812)	(8,342)	-	(22,154)	3,315	(18,839)	
Balance at 31 March 2023 (Unaudited)	600,000	180,000	14,841	(69,049)	22,937	748,729	180,290	929,019	
Balance at 1 January 2022 (Audited)	600,000	180,000	200,777	(30,228)	16,175	966,724	182,900	1,149,624	
Net (loss)/profit for the period	-	-	(51,921)	-	-	(51,921)	1,496	(50,425)	
Other comprehensive loss	-	-	-	(8,852)	-	(8,852)	-	(8,852)	
Total comprehensive (loss)/income for the period	-	-	(51,921)	(8,852)	-	(60,773)	1,496	(59,277)	
Acquisition of non-controlling interests	-	-	-	-	-	-	(7,564)	(7,564)	
Balance at 31 March 2022 (Unaudited)	600,000	180,000	148,856	(39,080)	16,175	905,951	176,832	1,082,783	





The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2023

	<i>For the three-month period ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Loss before zakat and income tax from continuing operations	(23,063)	(39,798)
Profit/(loss) before zakat and income tax from discontinued operations	21,863	(1,491)
<i>Adjustments to reconcile profit/(loss) before zakat and income tax to net cash flows:</i>		
Depreciation and impairment of property, plant and equipment	31,622	22,634
Depreciation of right-of-use assets	1,775	3,166
Provision for employees' defined benefit liabilities	2,686	(770)
Finance costs	42,533	15,510
Share in results of associates and a joint venture	(1,964)	1,043
Reversal of impairment loss on property, plant and equipment	(22,056)	-
Losses on disposal of property, plant and equipment	-	658
	<u>53,396</u>	<u>952</u>
Working capital adjustments:		
Inventories	127,056	(97,951)
Accounts receivable	(241,243)	(111,958)
Contract assets	(87,164)	(108,919)
Advances, other receivables and prepayments	32,490	(97,417)
Net investment in finance lease	9,395	9,394
Accounts payable	(32,619)	(3,039)
Accruals and provisions	16,208	23,589
Contract liabilities	266,022	80,292
Cash from/(used in) operations	<u>143,541</u>	<u>(305,057)</u>
Financial charges paid	(39,414)	(14,569)
Zakat and income tax paid	(2,135)	(137)
Net cash from/(used in) operating activities	<u>101,992</u>	<u>(319,763)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,137)	(5,992)
Proceeds from disposal of property, plant and equipment	-	640
Dividends received from an associate	-	25,000
Acquisition of non-controlling interests	-	(7,564)
Net cash (used in)/from investing activities	<u>(13,137)</u>	<u>12,084</u>
FINANCING ACTIVITIES		
Net movement in short term loans	(93,073)	253,897
Net movement in term loans	(2,636)	(2,542)
Payments against lease liabilities	(1,720)	(3,989)
Net cash (used in)/from financing activities	<u>(97,429)</u>	<u>247,366</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(8,574)	(60,313)
Cash and cash equivalents at the beginning of the period	304,055	280,461
Movement in foreign currency translation reserve, net	(7,200)	(7,307)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	288,281	212,841





The attached notes 1 to 13 form part of these interim condensed consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2023

1 CORPORATE INFORMATION

Zamil Industrial Investment Company ("the Company") was converted to a Saudi Joint Stock Company in accordance with the Ministerial Resolution number 407 dated 14 Rabi' al-Awwal 1419H (corresponding to 9 July 1998). Prior to that, the Company was operating as a limited liability company under the name of Zamil Steel Buildings Company Limited. The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050004215 dated 19 Ramadan 1396H (corresponding to 14 September 1976) with the following branch in the Kingdom of Saudi Arabia:

<i>Commercial registration number</i>	<i>Date</i>	<i>Location</i>
2050099363	8 Jumada' II 1435H	Dammam

The Company has investment in the following subsidiaries:

	<i>Effective ownership percentage</i>	
	<i>31 March 2023</i>	<i>31 December 2022</i>
Zamil Steel Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Pre-Engineered Buildings Company Limited - Saudi Arabia	100%	100%
- Zamil Structural Steel Company Limited - Saudi Arabia	100%	100%
- Zamil Towers & Galvanizing Company - Saudi Arabia	100%	100%
- Zamil Process Equipment Company Limited - Saudi Arabia	100%	100%
- Building Component Solutions Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Construction Company Limited - Saudi Arabia	100%	100%
- Zamil Inspection & Maintenance of Industrial Projects Company Limited - Saudi Arabia	100%	100%
- Metallic Construction and Contracting Company Limited - Egypt	100%	100%
Zamil Air Conditioners Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioners & Home Appliances Company Limited - Saudi Arabia	100%	100%
- Zamil Central Air Conditioners Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning & Refrigeration Services Company Limited - Saudi Arabia	100%	100%
- Ikhtebare Company Limited - Saudi Arabia	100%	100%
- Eastern District Cooling Company Limited - Saudi Arabia	100%	100%
- Zamil Energy Services Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning and Refrigeration Services Company W.L.L - Bahrain	100%	100%
Arabian Stonewool Insulation Company - Saudi Arabia	100%	100%
- Second Insulation Company Limited - Saudi Arabia	100%	100%
- Saudi Preinsulated Pipes Industries - Saudi Arabia	51%	51%
Gulf Insulation Group - Saudi Arabia	51%	51%
Zamil Steel Building Company - Egypt	100%	100%
Zamil Steel Buildings (Shanghai) Company Limited - China	100%	100%
Zamil Steel Buildings India Private Limited - India	100%	100%
Zamil Steel Engineering India Private Limited - India	100%	100%
Zamil Industrial Investment Company - UAE	100%	100%
Zamil Steel Industries Abu Dhabi (LLC) - UAE	100%	100%
Zamil Structural Steel Company - Egypt	100%	100%
Zamil Construction India Private Limited - India	100%	100%
Zamil Information Technology Global Private Limited - India	100%	100%
Zamil Higher Institute for Industrial Training - Saudi Arabia	100%	100%
Zamil Air Conditioners India Private Limited - India	100%	100%
Saudi Central Energy Company Limited - Saudi Arabia	100%	100%
Zamil Industrial Investment Company Asia Pte. Limited - Singapore	100%	100%
Zamil Steel Buildings Vietnam Company Limited - Vietnam	100%	100%

1 CORPORATE INFORMATION (continued)

The Company and its subsidiaries listed above (collectively referred to as the "Group") are engaged in design and engineering, manufacturing and fabrication of construction materials, pre-engineering steel buildings, steel structures, air conditions and climate control systems for commercial, industrial and residential applications, telecom and broadcasting towers, process equipment, fiberglass, rockwool and engineering plastic foam insulation, and solar power projects.

The interim condensed consolidated financial statements of the Group as of 31 March 2023 were authorised for issuance in accordance with the Board of Directors resolution on 17 May 2023 (corresponding to 27 Shawwal 1444H).

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia (KSA). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. In addition, the results of the operations for the period ended 31 March 2023 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2022.

These interim condensed consolidated financial statements are prepared using historical cost convention except for the remeasurement of equity instruments at fair value through other comprehensive income, using the accrual basis of accounting.

These interim condensed consolidated financial statements are presented in Saudi Riyals ("SR") which is also the functional currency of the Group. All values are rounded to the nearest thousands ("SR '000"), except when otherwise indicated.

2.2 Material accounting policy information

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed by the Group in its annual consolidated financial statements for the year ended 31 December 2022.

2.3 New standards, interpretation and amendments adopted by the Group

The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023, but do not have an impact on the interim condensed consolidated financial statements of the Group.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

At 31 March 2023

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<i>Three-month period ended 31 March (Unaudited)</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR '000</i>	<i>SR '000</i>
Sale of goods	738,692	686,245
Revenue from long-term contracts	224,339	151,053
Rendering of services	73,352	56,418
Total revenue from contracts with customers	1,036,383	893,716

Reconciliation of the Group's disaggregate revenue for its reportable segments and timing of revenue recognition is disclosed in note 10.

4 ZAKAT AND INCOME TAX

a) Zakat

The provision for the period is based on zakat base of the Company and its wholly owned Saudi subsidiaries as a whole and individual zakat base of other Saudi subsidiaries (2022: same).

During 2020, the Company received a zakat assessment for years 2014 to 2018 from the Zakat, Tax and Customs Authority (ZATCA) with total additional zakat liability amounting to SR 229 million. The Company submitted an objection letter against the mentioned Zakat assessment and ZATCA issued revised assessment in 2021 amounting to SR 225.62 million and Company submitted an escalation letter against the revised assessment to the Tax Violations and Disputes Resolution Committee (TVDRC). During the year, TVDRC issued its resolution with revised zakat liability amounting to SR 194.82 million. The Company submitted an appeal against the TVDRC resolution with Tax Violations and Disputes Appellate Committee (TVDAC) and the same is under review.

Zakat declarations for years 2019 to 2022 have been filed with ZATCA. However, the assessments have not yet been raised by ZATCA.

b) Income tax

Income tax provision is provided for in accordance with authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia. Income tax has been computed based on the managements' understanding of the income tax regulations enforced in their respective countries.

The income tax regulations are subject to different interpretations, and the assessments to be raised by the tax authorities could be different from the income tax returns filed by the respective Company.

c) Deferred tax

During the period, the Group has booked a net deferred tax benefit of SR 96 thousands (31 March 2022: net deferred tax benefit of SR 6 thousands).

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

At 31 March 2023

5 DISCONTINUED OPERATIONS

During the prior year, the executive management had decided to discontinue with certain subsidiaries operations. The results of these operations have been classified as discontinued operations in the consolidated statement of profit or loss. The results of the discontinued operations for the period are presented below:

	<i>31 March</i> <i>2023</i> <i>SR'000</i>	<i>31 March</i> <i>2022</i> <i>SR'000</i>
Revenue	-	-
Expenses	(641)	(1,002)
Operating loss	(641)	(1,002)
Finance costs	(464)	(489)
Other income, net	912	-
Reversal of impairment loss on asset held for sale	22,056	-
Profit/(loss) for the period from discontinued operations	21,863	(1,491)

The net cash flows generated/(incurred) from discontinued operations are, as follows:

Operating	358	2,616
Investing	-	-
Financing	-	(3,106)
Net cash inflow/(outflow)	358	(490)

Earnings per share:

	<i>31 March</i> <i>2023</i> <i>SR'000</i>	<i>31 March</i> <i>2022</i> <i>SR'000</i>
Basic and diluted earning /(loss) for the period from discontinued operations	0.36	(0.02)

During 2022, the management had entered into an agreement to sell the building for a cash consideration of SR 55 million. However, the sale agreement expired during the period which was further extended post negotiation with the buyer with sale consideration amounting to SR 55 million. The sale is expected to completed during 2023. As a result, the Company reversed the previously recognised impairment loss recognised in profit or loss against the asset held for sale amounting to SR 22.06 million. As at the reporting date, the net carrying value of assets held for sale amounted to SR 40.4 million (31 December 2022: SR 18.4 million).

6 PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended 31 March 2023, the Group has acquired assets with a cost of SR 13.1 million (three-month period ended 31 March 2022: SR 6 million) and charged depreciation to the interim condensed consolidated statement of income of SR 23.3 million (three-month period ended 31 March 2022: SR 23 million). No assets were disposed by the Group during the three months ended 31 March 2023 (31 March 2022: SR 1,298 thousands).

On 3 March 2023 (corresponding to 11 Sha'ban 1444H), one of the factory of Zamil Air Conditioners and Home Appliances Company, a subsidiary was partially damaged by fire. The Group has estimated loss to the property, plant and equipment and recorded an impairment loss of amount SR 8.2 million during the period. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

At 31 March 2023

7 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (31 December 2022: same) of SR 10 each.

8 CONTINGENCIES

Guarantees

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,395 million (31 December 2022: SR 1,441 million).

9 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Group, and entities controlled or significantly influenced by such parties.

The Group in the normal course of business carries out transactions with various related parties. Transactions with related parties included in the interim condensed consolidated statement of income are as follows:

<i>Relationship and name of related party</i>	<i>Nature of transactions</i>	<i>Three-month period ended 31 March (Unaudited)</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR '000</i>	<i>SR '000</i>
<i>Entity with significant influence over the Group</i>			
Zamil Group Holding Company	Sales	1,859	3,766
	Purchases	2,624	8,590
<i>Other related parties</i>	Sales	83	149

The compensation to the key management personnel during the period amounted to SR 1.14 million (31 March 2022: SR 1.5 million).

Pricing policies and terms of payments of transactions with related parties are approved by the Board of Directors. Outstanding balances at the period-end are unsecured, interest free and settled in cash.

Amounts due from related parties at 31 March 2023 amounting to SR 38.8 million (31 December 2022: SR 39.5 million) have been included in the accounts receivable in interim condensed consolidated statement of financial position. Amounts due to related parties at 31 March 2023 amounting to SR 31.6 million (31 December 2022: SR 30.6 million) have been included in the accounts payable in interim condensed consolidated statement of financial position.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

At 31 March 2023

10 SEGMENTAL INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments, as follows:

The air conditioners industry, which is engaged in production of window, split and central air conditioners, electrical and gas ovens, automatic dryers, microwave ovens, air-conditioning ducts/channels, household refrigerators, automatic washing machines and installation, maintenance, operation and leasing of air conditioning and refrigeration systems.

The steel industry, which is engaged in construction, managing and operating industrial projects, constructing, managing and operating airports and warehouses, constructing and providing fire protection services for building and structures, building, repairing and maintaining the communication towers, business of steel sheets works, heavy equipment and its spare parts, storage tanks, installation containers and pumps and implementation of electric works.

The insulation industry, which is engaged in production of complete line of insulation products including fiberglass for using in thermal insulation of central air conditioners, pre-insulated pipes, glass wool, rock wool and engineering plastic foam insulations.

Corporate and others, which are engaged in providing corporate and shared services, training and investment activities.

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the interim condensed consolidated financial statements.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

Business segments

For the three-month period ended 31 March 2023 (SR '000)

	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
<i>Revenue from contracts with customers:</i>							
External customer	395,758	574,761	65,608	256	1,036,383	-	1,036,383
Inter-segment	-	29,203	3,222	-	32,425	(32,425)	-
	395,758	603,964	68,830	256	1,068,808	(32,425)	1,036,383
Finance lease income	2,815	-	-	-	2,815	-	2,815
Total revenue	398,573	603,964	68,830	256	1,071,623	(32,425)	1,039,198
<i>Timing of revenue recognition:</i>							
At a point in time	260,364	515,019	68,830	256	844,469	(32,425)	812,044
Over time	135,394	88,945	-	-	224,339	-	224,339
	395,758	603,964	68,830	256	1,068,808	(32,425)	1,036,383
Gross profit/(loss)	42,857	83,821	22,345	(2,563)	146,460	316	146,776
Operating profit/(loss)	753	22,879	7,951	(8,085)	23,498	1,006	24,504
<i>Unallocated (expenses) profit:</i>							
Share in results of associates and a joint venture							1,964
Other income, net							790
Impairment loss on property, plant and equipment							(8,252)
Finance costs							(42,069)
Loss before zakat and income tax and discontinued operations							(23,063)
Zakat and income tax							(9,297)
Discontinued operations							21,863
Net loss for the period							(10,497)

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

At 31 March 2023

10 SEGMENTAL INFORMATION (continued)

For the three-month period ended 31 March 2022 (SR '000)

	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
<i>Revenue from contracts with customers:</i>							
External customer	324,811	520,526	48,136	243	893,716	-	893,716
Inter-segment	-	-	2,479	-	2,479	(2,479)	-
	324,811	520,526	50,615	243	896,195	(2,479)	893,716
Finance lease income	3,080	-	-	-	3,080	-	3,080
Total revenue	327,891	520,526	50,615	243	899,275	(2,479)	896,796
<i>Timing of revenue recognition:</i>							
At a point in time	241,123	453,161	50,615	243	745,142	(2,479)	742,663
Over time	83,688	67,365	-	-	151,053	-	151,053
	324,811	520,526	50,615	243	896,195	(2,479)	893,716
Gross profit	21,297	59,182	15,777	243	96,499	704	97,203
Operating (loss)/profit	(27,711)	(1,370)	3,720	(3,359)	(28,720)	1,267	(27,453)
<i>Unallocated income (expenses):</i>							
Share in results of associates and a joint venture							(1,043)
Other income, net							3,719
Finance costs							(15,021)
Loss before zakat and income tax and discontinued operations							(39,798)
Zakat and income tax							(9,136)
Discontinued operations							(1,491)
Net loss for the period							(50,425)

At 31 March 2023 (SR '000)

	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Total assets	2,829,758	2,846,418	447,222	1,078,192	7,201,590	(1,047,410)	6,154,180
Total liabilities	2,468,121	2,145,566	155,203	1,503,681	6,272,571	(1,047,410)	5,225,161
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	65,276	65,276	-	65,276
Capital expenditure	1,404	8,641	2,951	141	13,137	-	13,137

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

At 31 March 2023

10 SEGMENTAL INFORMATION (continued)

At 31 December 2022 (SR '000)

	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Total assets	2,884,475	2,525,608	440,826	706,886	6,557,795	(550,768)	6,007,027
Total liabilities	2,491,004	1,851,915	154,497	1,112,521	5,609,937	(550,768)	5,059,169
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	63,312	63,312	-	63,312
Capital expenditure	6,546	18,476	3,947	2,058	31,027	-	31,027

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below. Capital expenditure consist of additions of property, plant and equipment.

Geographic information

	<i>For the three-month ended 31 March</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Revenue from external customers:</i>		
Saudi Arabia	775,310	619,678
Other Asian countries	170,339	154,945
Egypt	93,549	122,173
	1,039,198	896,796
	31 March 2023	<i>31 December 2022</i>
	SR '000	<i>SR '000</i>
<i>Non-current operating assets:</i>		
Saudi Arabia	631,320	650,382
Other Asian countries	86,869	60,684
Egypt	58,285	85,468
	776,474	796,534

Non-current operating assets for this purpose consist of property, plant and equipment and right-of-use assets.

11 FAIR VALUES OF FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the period.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (continued)

At 31 March 2023

11 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Financial assets consist of cash and cash equivalents, equity instruments at fair value through other comprehensive income, accounts receivable, net investment in finance lease and some other current assets. Financial liabilities consist of term loans, short term loan, lease liabilities, accounts payable and some other current liabilities. The fair values of financial assets and financial liabilities approximate their carrying amounts.

Set out below is a comparison, of the carrying amounts and fair values of the Group's equity instruments at fair value through other comprehensive income:

	<i>Carrying value</i>	<i>Fair value</i>	<i>Fair value measurement using</i>		
			<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
31 March 2023					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	59,121	59,121	-	-	59,121
	59,121	59,121	-	-	59,121
31 December 2022					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	59,121	59,121	-	-	59,121
	59,121	59,121	-	-	59,121

The fair value of the Group's investment in unquoted equity shares at 31 March 2023 and 31 December 2022 was measured using Level 3 (significant unobservable inputs). The Group estimated the fair value of the investment using adjusted net asset method. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities. The management believes that there have been no significant changes in the value of investment from 31 December 2022.

12 COMPARATIVE FIGURES

Certain of the prior period figures has been reclassified to conform the current period presentation. The effect of the reclassifications on the affected interim condensed consolidated financial statements line items is as follows:

Impact on interim condensed consolidated statement of financial position as at 31 December 2022:

	<i>Previously reported</i>	<i>Reclassification</i>	<i>As reported</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
ASSETS			
Accounts receivable	1,666,816	103,556	1,770,372
LIABILITIES			
Contract liabilities	718,080	103,556	821,636

13 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 31 March 2023 that would have a material impact on the financial position of the Group as reflected in these interim condensed consolidated financial statements.